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Tarrant County Texas

Official Public Records

1/20/2010 9:33 AM

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OIL AND GAS LEASE

Electronically Recorded

(Paid-up)

Chesapeake Operating, Inc.

10514326

AGREEMENT, made and entered into this 30 day of September, 20 09, by and between: **Chesapeake Royalty, L.L.C.**, a limited liability company with a mailing address of P.O. Box 18496 Oklahoma City, OK 73154-0496, party of the first part, hereinafter called Lessor (whether one or more), and **Chesapeake Exploration, L.L.C.**, a limited liability company, with a mailing address of P.O. Box 18496, Oklahoma City, OK 73154-0496, party of the second part, hereinafter called Lessee WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration receipt and sufficiency of which are hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee, for the sole and only purpose of exploring by geophysical and other methods, mining, drilling, producing, storing, marketing, and otherwise conducting oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents) operations, including, laying pipelines, and building drill sites, access roads, tanks, power stations, water wells, disposal wells, injection wells and other facilities and structures thereon and the right of ingress and egress to conduct such operations on the Leased Premises (defined below) in order to explore, produce, save and market said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Tarrant, State of Texas, Described as follows, to wit **BEING a 1.853 acre tract of land situated in the Henson McCoy Survey, Abstract 1073, a portion of Tract A, Lot and Block A, of the Plaza Grande Addition to the City of Euless, Tarrant County, Texas, more fully described in Special Warrant Deed recorded as Document Number D208099263 of the Deed Records of Tarrant County, Texas.**

1. It is agreed that this Oil and Gas Lease shall remain in force until December 31, 2015 (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith, or this lease is maintained in force pursuant to any of its other provisions.

2. In consideration of the premises the said Lessee covenants and agrees:

A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a one-quarter (1/4) part of all oil (including but not limited to condensate and distillate) produced and saved from the Leased Premises.

B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of one-quarter (1/4) of the gross proceeds realized by Lessee from the sale thereof. For the purposes of this Oil and Gas Lease, "gross proceeds" means the gross proceeds received by Lessee from the sale of gas minus post-production costs incurred by Lessee between the wellhead and the point of sale. "Post-production costs" means all costs and expenses of (a) treating and processing gas, (b) separating liquid hydrocarbons from gas, other than condensate separated at the well, (c) transporting gas, including but not limited to transportation between the wellhead and any production or treating facilities, and transportation to the point of sale, (d) compressing gas for transportation and delivery purposes, (e) any metering gas to determine the amount sold or used, (f) sales charges, commissions, and fees paid to third parties (whether or not affiliated) in connection with the sale of gas, (g) any and all other costs and expenses of any kind or nature incurred in regard to the gas between the wellhead and the point of sale and all losses of produced volumes whether by use as fuel, line loss, flaring, venting or otherwise from and after the wellhead to the point of sale. Lessee may use its own pipelines and equipment to provide such treating, processing, separating, transportation, compression and metering services, or it may engage others to provide such services.

3. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut-in and there is no current production of oil or operations on said Leased Premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire Oil and Lease.

4. If, at the expiration of the primary term, there is no production in paying quantities on the Leased Premises or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this Oil and Gas Lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and if production is discovered, this Oil and Gas Lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production for any cause (other than an event of force majeure), this Oil and Gas Lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within ninety (90) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first work other than surveying or staking the location is done thereon which is necessary for such operations.

5. Lessee is hereby granted the right, but not the obligation, to at any time and from time to time pool or unitize the Leased Premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 160 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall permit or prescribe a spacing pattern for the development of the field or allocate a producing

allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so permitted or prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the Leased Premises are located unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this Oil and Gas Lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay, or cause to be paid to, Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit, but only to the extent such production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the Leased Premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly.

6. If Lessor owns a smaller interest in the Leased Premises than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.

7. Lessee shall have the right to use free of cost and royalty, gas, oil, and water produced on the Leased Premises for its operations thereon, or on lands pooled therewith, except water from wells of Lessor and provided that no more than a pro rata share of gas or oil used in operations, based upon each tract's share determined as described in paragraph 5 above, shall be charged to the Leased Premises if used in the development or operation of a unit with multiple leases.

8. Lessee shall have the right at any time to remove all machinery and fixtures placed on the Leased Premises, including the right to draw and remove casing.

9. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the Leased Premises or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the Leased Premises or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this Oil and Gas Lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this Oil and Gas Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation, or operation of force majeure.

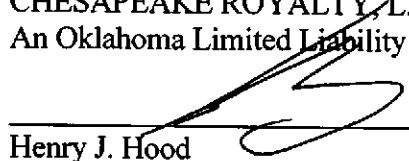
11. This Oil and Gas Lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this Oil and Gas Lease as Lessor, although not named above.

12. Lessee may at any time and from time to time surrender this Oil and Gas as to any part or parts of the Leased Premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper county.

This Oil and Gas Lease is subject to the terms of the attached EXHIBIT "A" ADDENDUM which is made a part hereof.

IN TESTIMONY WHEREOF, we sign this the 15 day of January, 20 10.

CHESAPEAKE ROYALTY, L.L.C.,
An Oklahoma Limited Liability Company

By: 
Name: Henry J. Hood
Title: Senior Vice President – Land and Legal & General Counsel



STATE OF TEXAS)
) SS. (ACKNOWLEDGMENT FOR CORPORATION)
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 15 day of January, 20 10,
by Henry J. Hood, as Senior Vice President – Land and Legal & General Counsel, on behalf of said company.

Erin Lennart
Notary Public

My Commission Expires:



EXHIBIT "A"
ADDENDUM

Attached hereto and made a part hereof that certain Oil and Gas Lease dated this 30 day of September, 2009, by and between **Chesapeake Royalty, L.L.C.**, a limited liability company as Lessor and **Chesapeake Exploration, L.L.C.**, a limited liability company, as Lessee.

- 1) Notwithstanding anything to the contrary herein, it is specifically understood and agreed that upon the expiration of the primary term, if this Oil and Gas Lease should be continued by reason of production, then in that event, all rights, covenants and conditions of this Oil and Gas Lease shall terminate as to all strata and lands situated one hundred feet (100') below the deepest producing formation of a well situated on the lease premises or on acreage pooled or unitized therewith.
- 2) In the event that a portion of the lands are pooled with a producing or proposed unit, it is agreed and understood by both parties that a well located on any part of the land therein will extend this lease beyond the primary term only as to the portion of the lands included in or pooled with such unit.
- 3) If at any time this Oil and Gas Lease is divided among and owned by five or more co-owners, Lessor at its discretion may require such co-owners to appoint a single trustee or agent to be responsible for any notices and releases and royalty payment obligations required in accordance with the provisions contained in this Oil and Gas Lease.
- 4) In connection with the drilling of any well drilled on the Leased Premises or upon a unit including all or a portion of the Leased Premises (whether said unit is created by voluntary agreement or by governmental authority), Lessee agrees to timely furnish to Lessor, upon Lessor's request, copies of all surveys, logs and/or tests taken and any other information or data obtained from the drilling of such well. Lessee shall also furnish, upon Lessor's request, a daily drilling report showing the current progress and activities in connection with any such well drilled, which report shall include the status of the operation, depth, deviated hole surveys, character and names of the formations encountered, shows of oil, gas or water and detailed reports of all drillstem tests or other production tests. Lessor agrees to keep all information provided under this paragraph 4 strictly confidential and, except as may be required by applicable law or the rules of any stock exchange on which the shares of Lessor or its affiliates are listed, to limit disclosure of such information within its own organization to its directors, officers, partners, members and/or employees having a need to know and to not disclose the information to any third party (whether an individual, corporation, or other entity) without the prior written consent of Lessee.
- 5) Lessor hereby warrants and agrees to defend title to the Leased Premises by, through, and under itself only, but not otherwise, and agrees that Lessee, at its options, may discharge any tax, mortgage, or other lien upon said lands, and in the event Lessee does so, it will be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same.
- 6) Lessor agrees to execute affidavits, ratifications, amendments, and other instruments as necessary to carry out the purposes of this Oil and Gas Lease.
- 7) In case of notice of or an adverse claim to the Leased Premises, affecting all or any part of the sums payable hereunder, Lessee may withhold payment or delivery of the same without interest until the ownership is determined by written compromise, or by final decree of a court of competent jurisdiction, furnished to Lessee and to this end Lessee may file a petition for interpleader.
- 8) In the event Lessor considers that Lessee has not complied with the express or implied obligations of this Oil and Gas Lease, Lessor shall notify Lessee in writing of the facts relied on as constituting a breach of the obligations. Lessee shall then have sixty (60) days after receipt of that notice within which to cure or commence to cure all or any part of the breaches alleged by Lessor. The service of such notice shall be a condition precedent to the bringing of any action by Lessor for any cause, and no action shall be brought until the lapse of sixty (60) days after service of notice on Lessee. Neither the service of the notice nor the doing of any acts by Lessee aimed to cure all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of Lessee's obligations. However, this Oil and Gas Lease shall not be subject to forfeiture or loss, either in whole or part, for failure to comply with the express or implied obligations of this lease except after final judicial ascertainment of the failure and after Lessee has been given a period of sixty (60) days after any final ascertainment to prevent a loss or forfeiture by complying with and discharging the obligations which the Lessee has been judicially determined to be in default.

- 9) All notices will be deemed given and reports and documents will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the address shown above for each party. Any party may designate a new address by proper notice to the other party or parties.
- 10) It is the intent of the Lessor and Lessee that the total royalty interest and other burdens retained by Lessor and its affiliates on the Leased Premises as of the date hereof (excluding, for this purpose, the working interest received by Lessee) shall not exceed twenty-five percent (25%), and to the extent the royalty interest plus any such other burdens on the date hereof would otherwise exceed twenty-five percent (25%), the one quarter (1/4) royalty reserved in this Oil and Gas Lease shall be automatically reduced by the amount of such other burdens.
- 11) It is understood and agreed by both parties hereto that these typewritten provisions therein supersede any provisions to the contrary in the body hereof.

By: 

Name: Henry J. Hood

Title: Senior Vice President – Land and Legal & General Counsel

CSA JH/11

Record & Return to:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154